GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

WASHINGTON, D.C. 20301

January 29, 1982

Honorable David A. Stockman
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Stockman:

This responds to your office's request for the views of the Department of Defense on a proposed bill by the Department of Commerce, "To authorize appropriations to the Patent and Trademark Office in the Department of Commerce, and for other purposes."

With the exception of section 6, we have no objection to enactment of the bill. Section 6 would amend section 184 of title 35, U.S.C., to eliminate the present requirement to obtain a license from the Patent and Trademark Office before filing any application for a patent in a foreign country. The amendment to section 184 would permit foreign applications without a license unless the application discloses or contains subject matter pertaining to (1) defense services or articles on the U.S. Munitions List, (2) certain data concerning nuclear technology, (3) articles, materials or supplies controlled pursuant to the Export Administration Act of 1979, (4) information subject to classification, or (5) information, the dissemination, disclosure or exportation of which is restricted by statute, regulation or executive order which amends or supersedes any of (1)-(4).

Presently, the U.S. Patent and Trademark Office reviews proposed foreign patent applications within six months, and refers to the appropriate U.S. Government entity for review those patent applications which may involve data within one of the five categories listed above or which may be subject to review to determine if a secrecy order is required. If no objection is entered, a license may be granted if requested, or if no action is taken within six months, a license is not required. In some cases, automatic filing of foreign applications in certain countries, if requested, is accomplished pursuant to the Patent Cooperation Treaty.

NO REFERRAL TO OSD. WAIVER APPLIES

Section 6 of the bill would shift from the Patent and Trademark Office to the patent applicant the burden of determining if filing a given patent application abroad is subject to governmental restriction for national security purposes. If an applicant errs in this decision, the applicant is subject to invalidation of the U.S. patent and to criminal penalties pursuant to sections 185 and 186 of title 35, U.S.C. However, if the applicant errs and the information is sensitive or subject to review to determine if a secrecy order should be obtained, it would neither be possible to protect the information nor useful to obtain a secrecy order, as disclosure of the information to a foreign country would already have taken place. We anticipate there could be a substantial number of such errors in areas of technology that are of concern to the Department of Defense, such as cryptography, computery, signals processing, and communications.

The sectional analysis and the statement of purpose and need affirm that section 6 would cause inventors to be treated the same as other exporters of technical data, in that it would allow them to decide for themselves whether they are required by law to obtain the government's prior permission for the export of given data. However, we do not believe that inventors are in the same position as other potential exporters. Generally, such other exporters can easily ascertain whether the items they want to export are subject to given export controls; they need only see whether the items appear on existing governmental export control lists. By contrast, inventors of items not yet patented in the United States are less likely to be aided by such lists. Items not yet patented which were not in existence at the time of compilation of the export control lists could not be expected to appear on the lists, regardless of the potential adverse effect on the national security of export of the invented items. Further, even if an invention had applications which would make it subject to coverage by an existing export control list, the inventor might not be aware of such applications. More importantly, it is unlikely that an inventor would be in a good position to make a determination that data should be classified or subject to a secrecy order.

With the increasing concern over transfer of technology and its effect on the national security, we believe it would be inappropriate to restructure existing procedures to lessen governmental review of proposed transfers.

Because of these concerns, we object strongly to the inclusion of section 6 in the proposed bill. Although we understand the administrative burden posed by present procedures, we believe the national security interests served are sufficient to warrant continuation of present practice.

Sincerely,

William H. Taft

William H. Taft, IV